

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 COME-00 GSA-02 TRSE-00 STR-08

L-03 AGR-20 INT-08 CIAE-00 INR-10 NSAE-00 RSC-01 SS-15

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

UNCLAS STATE 200569

E.O. 11652:N/A

TAGS: ETRD, AR

SUBJECT: QUEBRACHO - GSA DISPOSAL PROGRAM

REF: BUENOS AIRES 7204

1. EMBASSY IS REQUESTED TO REPLY TO GOA NOTE REGARDING GSA DISPOSAL PROGRAM FOR WATTLE AND QUEBRACHO ALONG FOLLOWING LINES:

A. US STOCKPILE CONTAINS 23,488 LONG TONS OF CHESTNUT, 179,813 LT OF QUEBRACHO AND 28,822 LT OF WATTLE. ALL BUT 4,400 LT OF CHESTNUT IS NOW EXCESS TO STOCKPILE REQUIREMENTS.

B. CONGRESS HAS ALREADY AUTHORIZED DISPOSAL OF 13,988 LT OF CHESTNUT, 129,213 LT OF QUEBRACHO AND 19,322 LT OF WATTLE, AND CONGRESS EXPECTS MATERIAL TO BE SOLD.

C. AT REVISED RATES OF DISPOSAL, IT WILL TAKE GSA OVER 35 YEARS TO DISPOSE OF QUEBRACHO IN US DOMESTIC MARKET, ALMOST 8 YEARS FOR WATTLE AND 28 YEARS FOR CHESTNUT.

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D. FIGURE OF 10,000 LT COMBINED TANNINS FOR EXPORT

IS NOT RPT NOT TARGET FIGURE FOR FY 74. GSA WANTED TO HAVE UNLIMITED AMOUNT "AVAILABLE" FOR EXPORT (AS IN PREVIOUS DISPOSAL PLAN FOR CHESTNUT) BUT AGREED TO LIMIT EXPORTS TO 10,000 LT FOR FY 74 IF ANY EXPORT MARKET SHOULD DEVELOP.

E. GSA HAS NOT SOLD ANY TANNINS FOR EXPORT FOR PAST THREE YEARS. FYI. EXTREMELY DOUBTFUL THAT GSA COULD SELL IN EXPORT MARKET SINCE ITS MATERIAL REALLY NOT COMPETITIVE WITH FRESH TANNINS. ALSO, THERE NO INDICATION FOREIGN BUYERS ARE AT ALL INTERESTED IN BIDDING FOR GSA TANNINS. END FYI.

F. GSA MATERIAL IS 20 TO 25 YEARS OLD AND FOR THAT REASON DISCOUNTS ARE MADE FOR DETERIORATION. EVEN WHEN GSA EXTRACT HAS BEEN REBAGGED, ITS APPEARANCE IS FAR FROM BEING EQUAL TO THAT OF EXTRACT RECEIVED DIRECTLY FROM ORIGIN. THUS, GSA MATERIAL COMMANDS LOWER PRICE THAN FRESH TANNINS.

G. IT IS OUR UNDERSTANDING THAT QUEBRACHO AND WATTLE PRICES HAVE INCREASED SUBSTANTIALLY DURING PAST TWO AND ONE-HALF YEARS AND THAT GSA SALES HAVE NOT RPT NOT DISRUPTED WORLD MARKETS.

H. DEPT HAD CONSULTED WITH WASHINGTON REPS OF PRODUCING COUNTRIES, INCLUDING ARGENTINA, LAST APRIL BEFORE DISPOSAL RATES ANNOUNCED.

2. IF GOA HAS ANY INFORMATION ON ACTUAL DISRUPTION OF MARKETS DUE GSA DISPOSALS, DEPT WOULD APPRECIATE RECEIVING SUCH INFO. KISSINGER

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